COMPANY RESULTS

Bumi Armada (BAB MK)

2Q25: Profit Below Expectations On FPSO Margin Readjustment

BAB's 1H25 profit missed expectations with a poorer 2H25 outlook, as the reality of reduced FPSO margins kicked in. We excluded a one-off exploration expense on Akia PSC. Positively, BAB's balance sheet improved substantially, with a greater appetite (and greater need) to secure projects. However, we cut our forecasts by 10-26%, as a reduced EBITDA expectation amid active project bidding leaves BAB little headroom to pay dividends. Maintain HOLD with a reduced target price of RM0.40.

2Q25 RESULTS

Year to 31 Dec (RMm)	2Q 202	qoq (% chg)	yoy (% chg)	ytd 2025	yoy (% chg)	Comments
Revenue	**407**	**(14.**	**(29.**	**881**	**(27.**	
- Floating operations (FPSO, subsea)	404	(14.5	(28.(	877	(26.(	Full impact of New Kraken rate
- Engineering, Technology & Others	2	195	(83.5	3	(87.	Low engineer works
EBIT	**96**	**(61.**	**(66.**	**324**	**(47.**	
- Floating operations (FPSO, subsea)	144	(42.(	(50.5	393	(39.	High Olombendo repair cost
- Engineering, Technology	(47.9	128	639	(68.9	115	Include Akia's expense
Operating margin (%)	*23.7*	*-28.7*	*-25.9*	*36.8*	*-13.9*	
Finance Cost	(63.	(8.	(267.	(133.5	(14.	US$63m debt paredown
Associates	23	88	9	35	2	Recognised Sterling II capex
PBT	76	(59.(	516	268	(50.	
PATMI	**80**	**(56.**	**521**	**262**	**(48.**	EI for 1Q25: RM21m
Core PATMI	**86**	**(57.**	**(66.**	**291**	**(36.**	Kraken provision

**Note: The group started disclosing staff costs, repair & maintenance costs and exploration costs by segment eff 1Q25*
Source: BAB

RESULTS

- **1H25 core profit below expectations, at 52%/51% of our/consensus forecasts.** Although 2Q25 fully reflects the 70% rate step down of FPSO Kraken, the negative deviations include: a) lower-than-expected FPSO margins, due to higher repair costs incurred for FPSO Olombendo and higher staff costs; and b) lack of engineering works.

- **2Q25 EBITDA declined further by 40% qoq to RM176m** (1Q25: RM295m). It now appears to be merely half of the usual quarterly base of about RM360m. Bumi Armada (BAB) highlighted that for FPSO Olombendo and FPSO Malta which were under finance lease accounting, 2Q25 adjusted revenue would have been RM495m without finance lease treatment.

- **2Q25 exceptional items (EI):** RM18m forex loss, RM16m one-off exploration expense for Akia Production Sharing Contract (PSC) in Indonesia, and RM28m distribution from the trustee of a bankrupt former charterer of Armada Perdana FPSO. The FPSO was already disposed years ago, but the revenue was not recognised previously due to uncertainties of recovery. The JV/associate line saw better qoq income, due to recognition of deferred revenue as the firm contract of FPSO Armada Sterling expired. We do not treat this as EI.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	2,133	2,311	1,169	1,142	1,301
EBITDA	1,272	1,492	1,031	953	917
Operating profit	938	1,196	767	696	658
Net profit (rep./act.)	332	634	501	427	388
Net profit (adj.)	676	928	501	427	388
EPS (sen)	11.4	15.7	8.4	7.2	6.5
PE (x)	3.2	2.4	4.4	5.1	5.7
P/B (x)	0.4	0.4	0.3	0.3	0.3
EV/EBITDA (x)	7.2	5.2	6.9	7.3	7.6
Dividend yield (%)	-	2.7	2.7	2.7	2.7
Net margin (%)	15.6	27.4	42.8	37.4	29.8
Net debt/(cash) to equity (%)	65.2	37.5	25.4	21.8	20.3
Interest cover (x)	3.8	4.8	3.5	3.2	3.1
ROE (%)	5.9	10.8	8.4	7.0	6.2
Consensus net profit	-	-	570	569	569
UOBKH/Consensus (x)	-	-	0.88	0.75	0.68

Source: Bumi Armada, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM0.37
Target Price	RM0.40
Upside	+7.1%
(Previous TP	*RM0.50)*

COMPANY DESCRIPTION

Floating production storage and offloading (FPSO) platform, floating liquified natural gas (FLNG) vessel and offshore marine services owner.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	BAB MK
Shariah Compliant:	No
Shares issued (m):	5,927.9
Market cap (RMm):	2,164.0
Market cap (US$m):	500.5
3-mth avg daily t'over (US$m):	2.9

Price Performance (%)

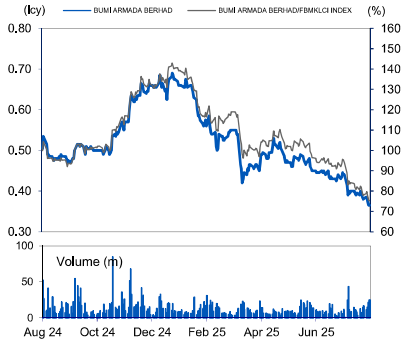
52-week high/low RM0.695/RM0.360

1mth	3mth	6mth	1yr	YTD
(15.1)	(34.8)	(34.8)	(3.2)	(44.3)

Major Shareholders	**%**
Objektif Bersatu	34.9

FY25 NAV/Share (RM)	1.03
FY25 Net Debt/Share (RM)	0.30

PRICE CHART



Source: Bloomberg

ANALYST(S)

Kong Ho Meng
+603 2147 1987
homeng@uobkayhian.com

- **Firm orderbook adjusted to RM9.1b from RM10.1b qoq** split between RM5.7b/RM3.4b for owned FPSOs and FPSOs respectively (1Q25: RM6.4b/RM3.7b) This included our assumption of a quarterly orderbook burn rate of RM0.3b-0.4b
- **The plan is to hold only minority interest in O&G fields.** Unlike its direct FPSO peers like Yinson and MISC, BAB seems to focus on a different long-term objective - which is to maximise its expertise across the FPSO, energy transition and upstream sectors. To recap, BAB had a technological head start in the FLNG and carbon capture space, when it delivered the world's first FPSO with hydrogen sulphide processing ie the FPSO Karapan Armada Sterling II, in Indonesia. In 2024, BAB surprised the market with a debut/ entry investment into upstream concessions, with the Akia PSC. Akia's minimum exploration spend is US$7.7m. Subsequently, BAB secured Kojo in Indonesia. With its data from that JV FPSO, Akia, and the Madura Blocks, Indonesia became the ideal location for BAB's idea to materialise.
- **Upstream development costs incurred, and will not likely be repeated.** Akia's seismic activity begun in Apr 25, and we now know that the entire exploration expense was incurred in 2Q25 (RM16m as BAB's share). BAB is working on securing stable partners to divest and defray the exploration risks. Only after securing a committed partner will BAB progress Akia to Final Investment Decision, which may take 3-4 years. We understand that for Kojo PSC, the exploration expense will likely close in 2026, and will be far smaller vs Akia, ie Kojo's plan requires 2D seismic to integrate with the existing subsurface data, whereas Akia's minimum works were costlier, involving three geological studies and 3D seismic data spanning across 750 sq km.
- **Operating capacity for two FPSOs concurrently; contract appetite across segments.** Positively, BAB's balance sheet continued to improve substantially, with net gearing pared down to 0.3x, and RM0.4b 1H25 debt repayments helped clear BAB's outstanding unsecured corporate debt for the whole of 2025. We understand that BAB is actively bidding for more projects, as implied by the higher staff costs (under the operations segment). In contrast, if BAB is undertaking early preparatory works before bidding for projects, those may be classified as "other" costs in the non-operations segment. Unlike other FPSO peers, BAB did not benefit much from the past few years of the FPSO boom, as recent contracts were structured more like EPCC, without opportunities for ownership.

EARNINGS REVISION/ RISK

- **Cut 2025-27 earnings by 10%/21%/26%.** We adjusted FPSO margins upon further clarity on FPSO Kraken's revised rate and a higher running opex assumption.

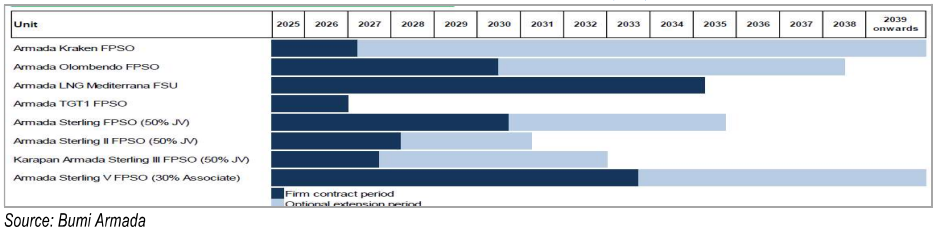
VALUATION/RECOMMENDATION

- **Retain HOLD with a lower SOTP-based target price of RM0.40 (from RM0.50; implied 5.3x PE)** We do not think its share price will outperform this year. Despite the fact that the MISC-merger uncertainties were concluded, the earnings outlook will remain uncertain until: a) Kraken step-down is revealed, b) upstream cost guidance is detailed, and c) new contract win catalysts emerge (in particular, quality contract wins). Its balance sheet is well-positioned for new jobs, and maintaining a high cash level to secure projects is the more likely scenario vs repeating DPS like in 2024 (first dividend paid in eight years).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

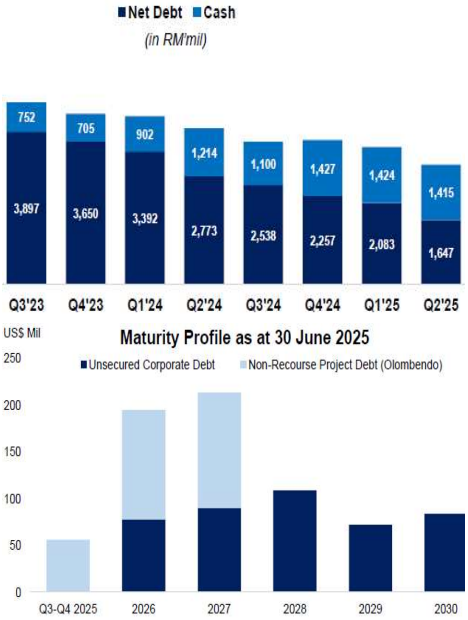
- **Environmental**
  - **Carbon (CO2) reduction.** Set targets using 2022 levels as the baseline
  - **Safety (HSE).** Lost Time Injury Frequency (LTIF) was Nil in 2023, vs 0.49 previously. To address this, BAB has allocated additional stop-work policies and staff training
- **Social**
  - **Diversity.** 42% female proportion among onshore staff.
  - **Charities** in various countries of operations ie the UK, Angola and India
- **Governance**
  - 4 out of 7 board members are independent

FIRM ORDERBOOK ADJUSTED FROM RM10.1B TO RM9.1B QOQ



Source: Bumi Armada

GEARING LEVEL



Source: BAB

SOTP VALUATION (RM4.3/US$)

Item	Valuation	Current SOTP (RM)
FPSO	DCF based on WACC of 10%, up to firm value. The WACC is higher than peers (Yinson and MISC) given its shorter average FPSO firm tenures and lack of new FPSOs. Discount on another Kraken impairment	0.65
JV FPSO, Sterling V (ONGC)	30% stake, based on US$1.17b capex, IRR of 12% on firm tenure, 30% residual value	0.06
Net debt		(0.31)
SOTP	**on 5.9b shares**	**0.40**
2026F PE		5.3x

Source: UOB Kay Hian

POTENTIAL PROJECTS

Type	Projects *and remarks*
Upstream / O&G	Akia PSC – seismic studies done, *FID 3-4 years* Kojo PSC – *FID 4-5 years* Jalu Joint Study Agreement – *FID 2-3 years*
FPSO	Tuna FPSO – *Harbour Energym Indonesia* Tangkulo FPSO - *Mubadala, Indonesia* Geng FPSO – *Eni, Indonesia*
Gas/ FSU/ FSRU	Magnus Recovery Project for Enquest
Carbon/ FSCIU	Floating Storage Carbon Injection Unit (FSCIU) with Bluestreak CO2 – 5MTPA, target 2030 Another FSCIU in Northern Europe Another FSCIU in SouthEast Asia
Subsea	Kalamkas-Khazar (Kazakshtan) Kashagan Phase 2A (Kazakshtan) *These 2 projects only for 2026-27 horizon*

Source: BAB

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**2,311**	**1,169**	**1,142**	**1,301**
EBITDA	1,492	1,031	953	917
Deprec. & amort.	296	264	258	259
EBIT	1,196	767	696	658
Associate contributions	33	57	57	57
Net interest income/(expense)	(310)	(293)	(296)	(298)
Pre-tax profit	**646**	**531**	**457**	**417**
Tax	10	(8)	(7)	(6)
Minorities	(22)	(22)	(22)	(22)
Net profit	**928**	**501**	**427**	**388**
Net profit (adj.)	928	501	427	388

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	6,278	5,957	5,993	6,036
Other LT assets	1,028	1,068	1,108	1,148
Cash/ST investment	1,427	1,985	1,992	1,885
Other current assets	1,086	550	537	612
Total assets	**10,457**	**10,304**	**10,626**	**10,918**
ST debt	681	681	681	681
Other current liabilities	469	417	416	424
LT debt	3,036	2,898	2,761	2,624
Other LT liabilities	142	86	178	270
Shareholders' equity	6,115	6,289	6,657	6,986
Minority interest	(68)	(68)	(68)	(68)
Total liabilities & equity	**10,457**	**10,304**	**10,626**	**10,918**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**1,717.0**	**1,474**	**1,113**	**907**
Pre-tax profit	1,196.1	826	852	817
Tax	10.1	9	10	9
Deprec. & amort.	296.2	264	258	259
Working capital changes	(57.2)	393	14	160
Other operating cashflows	271.9	0	0	0
Investing	**71.3**	**(300)**	**(300)**	**(300)**
Capex (growth)	0	0	0	0
Capex (maintenance)	(80.1)	300	300	300
Proceeds from sale of assets	79.9			
Others	71.5	0	0	0
Financing	**(1,042.9)**	**(651)**	**(651)**	**(651)**
Dividend payments	0	0	0	0
Issue of shares	0	0	0	0
Proceeds from borrowings	1,704.5	90	90	90
Loan repayment	(2,747)	(682.0)	(682.0)	(682.0)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	745.4	523	163	43
Beginning cash & cash equivalent	704.7	1,427	1,950	2,113
Changes due to forex impact	(23.0)	0	0	0
Ending cash & cash equivalent	**1,427.1**	**1,950**	**2,113**	**2,069**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	57.9	39.7	36.0	44.7
Pre-tax margin	10.1	24.5	19.8	24.2
Net margin	11.8	25.4	20.8	25.4
ROA	2.2	7.2	5.5	5.7
ROE	4.7	13.8	9.9	9.3
Growth				
Turnover	(11.3)	49.2	(3.7)	(13.9)
EBITDA	(10.6)	2.4	(12.8)	7.1
Pre-tax profit	(69.5)	260.2	(22.1)	5.5
Net profit	(65.6)	221.1	(21.2)	5.2
Net profit (adj.)	(29.1)	35.8	(21.2)	5.2
EPS	(29.1)	35.7	(21.2)	5.2
Leverage				
Debt to total capital	43.8	37.4	34.6	32.1
Debt to equity	76.8	58.8	52.3	46.8
Net debt/(cash) to equity	64.3	47.2	41.9	37.5
Interest cover (x)	3.7	4.5	4.1	4.2

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